

**CITY OF MORGAN HILL
JOINT SPECIAL CITY COUNCIL
AND SPECIAL REDEVELOPMENT AGENCY MEETING
MINUTES – NOVEMBER 12, 2003**

CALL TO ORDER

Mayor/Chairperson Kennedy called the special meeting to order at 6:03 p.m.

ROLL CALL ATTENDANCE

Present: Council/Agency Members Carr, Sellers, Tate and Mayor/Agency Chairperson Kennedy

Late: Mayor Pro Tempore/Vice-chair Chang (arrived at 6:25 p.m.)

DECLARATION OF POSTING OF AGENDA

City Clerk/Agency Secretary Torrez certified that the meeting's agenda was duly noticed and posted in accordance with Government Code 54954.2.

SILENT INVOCATION

PLEDGE OF ALLEGIANCE

PUBLIC COMMENT

Mayor/Chairman Kennedy opened the floor to public comment for items not appearing on this evening's agenda. No comments were offered.

City Council and Redevelopment Agency Action

CONSENT CALENDAR:

Action: *On a motion by Council/Agency Member Tate and seconded by Council/Agency Member Sellers, the Council/Agency Board, on a 4-0 vote with Mayor Pro Tempore/Vice-chair Chang absent, **Approved** Consent Calendar Item 1, as follows:*

1. JOINT REGULAR REDEVELOPMENT AGENCY AND SPECIAL CITY COUNCIL MEETING MINUTES OF OCTOBER 22, 2003.

Action: **Approved** *the Minutes as written.*

City Council Action

CONSENT CALENDAR:

Action: *On a motion by Council Member Tate and seconded by Council Member Sellers, the City Council, on a 4-0 vote with Mayor Pro Tempore Chang absent, **Approved** Consent Calendar Items 2 and 3, as follows:*

2. **ADOPT EMERGENCY EXPENDITURE RESOLUTION NO. 5672 FOR LEASE OF ION EXCHANGE SYSTEM TO BE INSTALLED AT TENNANT AND NORDSTROM WELLS**

Action: **Adopted** Resolution No. 5672, Authorizing Emergency Expenditure for Lease of Ion Exchange System to be installed at Tennant and Nordstrom wells.

3. **SPECIAL CITY COUNCIL MEETING MINUTES OF OCTOBER 31, 2003**

Action: **Approved** the Minutes as written

Redevelopment Agency Action

CONSENT CALENDAR:

Action: *On a motion by Agency Member Tate and seconded by Agency Member Sellers, the Agency Board, on a 4-0 vote with Mayor Pro Tempore Chang absent, **Approved** Consent Calendar Item 4, as follows:*

4. **GROUND LEASE FOR MORGAN HILL COURTHOUSE**

Action: **Approved** Ground Lease with the County of Santa Clara.

Redevelopment Agency Action

OTHER BUSINESS:

Business Assistance and Housing Services Manager Maskell presented the staff report. She indicated that the Redevelopment Agency was presented with this topic on August 20, 2003, directing staff to return with this item in a study session. She informed the Agency Board that at the previous meeting; Conley Consulting presented a phase I report for the Morgan Hill Plaza repositioning strategy. The Redevelopment Agency gave staff four alternative strategies to consider. She said that staff is trying to provide the Redevelopment Agency with enough information so that it can provide staff direction, and set the parameters for the repositioning strategy, discussing the next step(s).

Denise Conley, Conley Consulting, requested Agency direction regarding the Morgan Hill Plaza Shopping Center as it is in bad shape. She indicated that the problems at the center are worse

than originally thought at the beginning of the strategy. The issue for the Morgan Hill Plaza such that it needs to be repositioned or re-done. The problems faced by the shopping center are: loss of anchor tenants, Albertson store would like to relocate, high vacancies, limited patronage, poor layout/visibility, and the appearance of the center. It was her understanding that the residential use, within the confines of the center, is not part of the retail center. She indicated that the apartments look a lot better than they did but that it does not contribute to the retail environment. She indicated that a market study does not suggest a lot of opportunity for this particular site. She said that there is evidence that there are anchor tenants looking for sites in Morgan Hill but that they are seeking freeway locations or areas where the largest population is located. She indicated that this center serves a limited trade area. There are market opportunities that exist for this center to be fully functionally such as complimenting the Downtown Plan, serving the immediate neighborhood, or developing a mixed use with limited comparison goods. She said that the likely future for the center could include loss of anchor tenants. She indicated that there is a split ownership of the shopping center with seven different owners; therefore, the economics are strange. She said that the location of the shopping center, in relationship to the Community Center and the downtown, makes a statement of what might be invested in this area. She expects that if the Albertson's store finds a different location and relocates, the kind of tenants that may be expected would not improve the performance or customer draw of the center (e.g., 99 Cent Store, discount store, 24-Hour fitness center). What would result is a reduction in rent but that she did not believe that the center could pick up.

Ms. Conley identified options and estimated costs associated with the shopping center: 1) converting the site into a public use facility, complimenting the Community Center located across the street into such uses as a civic building, police facility or school (cost estimate would be \$8-\$11 million for site acquisition plus relocation and costs for public use); 2) Redevelop the entire site for retail uses (\$7-\$11 million for acquisition plus relocation and incentives for anchor tenants); 3) Redevelop the site as a mixed use with residential and commercial uses (\$8-\$11 million for site less value from sale of land); 4) Take position of key parcels to make them catalyst for the center (\$1.5-\$3.5 million plus key tenant incentives and possible relocation costs); or 5) Conduct a facelift of the shopping center – clean up/modernize the facade and improve signage (\$0.5-\$1.5 million). She indicated that Rite Aid holds a lease with a property owner and that Albertson's store also holds a lease on a month to month basis with a property owner.

Agency Member Tate noted that the first option can be done with the use of eminent domain by the City and not the Redevelopment Agency and that the last option would not require eminent domain. Options 2, 3, and 4 would require eminent domain on the part of the Redevelopment Agency. He noted that the Redevelopment Agency does not have the authority to exercise eminent domain. He did not understand why options are being factored into the decision because the Redevelopment Agency cannot pursue eminent domain.

Chairman Kennedy said that an option would be to extend the Redevelopment Agency. He inquired what time frame is being talked about.

Ms. Conley indicated that a plan amendment or extension would take approximately 9 months to one year but can take longer. She acknowledged that there are small resources available and a set of economic interests who do not want to make the changes that need to take place. She said that this discussion needs to take place before proceeding.

Agency Member Tate felt that Ms. Conley did an excellent job explaining why the Agency needs to look at the shopping center as it is not a vision that the City wants to see as an entry into the community. He did not know why the City should spend a lot of time getting its hopes up in fixing a problem when the City does not have the ability to fix it.

Mayor Kennedy felt that this was a discussion for the Agency Board to undertake, noting that Ms. Conley has laid out several options for the shopping center. While it may be true that the City may not be able to move forward at this time, it may be possible to act on alternative(s) at a later date.

Agency Member Sellers said that the City has never used eminent domain in an aggressive or negative way. He said that eminent domain was used as a tool that made sense in a positive way where a property owner might have some concerns. By using eminent domain, there may be some tax incentives or other possible outcomes that property owners receive from this action that would result in entering into negotiations. He inquired whether there were property owners who were in the middle of doing something with the center for which the City can provide incentives.

Ms. Conley stated that all property owners have different interests, indicating that there was some push back from property owners as they believe that the shopping center was right for the Morgan Hill market. Property owners do not believe that this was an upscale community and that this is the right product for this market. She said that there are seven property owners with seven different interests/responses. One person was adamant that there was not a problem and requested to be left alone only to return at a later date to state that he/she may be willing to sell. The City could state to property owners that there are benefits to enhancing the shopping center. She indicated that there are not a lot of cities in California or most of the country that have a lot of extra money. She stated that all communities are making choices and trying to prioritize their choices. She inquired whether this was an important choice for the City and for this community to fix this center. She said that there will not be much opportunity for spontaneous improvements to the center as there are multiple property owners involved.

Agency Member Carr said that the shopping center, as it is today is not a high priority but that what is of high priority is the center tomorrow. He agreed that the center will not get better on its own and will get worse. He said that this has been a proactive and progressive Council/Agency in trying to make sure that it looks ahead, solving problems that will occur so that they do not become more expensive or a bigger problem in the future. He felt that this was an opportunity to control the situation before it gets worse, and the City will have no idea what to do with the center or a way to fix it until outside influences come in. It is known that freeway areas are becoming popular, will draw away from the downtown and that the City needs to try to avoid this from happening. He felt that the mix of the center in the future will be something

different and that the City needs to start mapping this out now. The City can help to define what this would be and be a part of its improvement versus watching the center continue to spiral downward. If so, the City or someone will be forced to do something.

Chairman Kennedy noted that Ms. Conley identified the problems associated with the center: loss of key anchor stores, high vacancy rates/low space fronts and lack of variety in services. He felt that the location would allow for additional services than are currently being provided. He did not want to take away from services existing but felt that a lot more can be done for the center. He felt that the center detracts from the downtown as there are a lot of vacant spaces and the site is run down. The center's appearance detracts other businesses from relocating to the downtown.

Agency Member Tate stated that with the exception of the ice cream store, there is nothing in the center that complements the downtown.

Agency Member Sellers felt that there were a lot of viable businesses for the center such as restaurants. He noted that Ms. Conley alluded to key parcels and drew design settings from the corner of Dunne and Monterey, working the design inward. He noted that the apartments and the gasoline station made it difficult to develop the entire site.

Ms. Conley indicated that she looked at these two sites as becoming one possible strategy and taking control of the anchor sites as another possible strategy. She said that it would be possible to take control of the anchor site and bring in a use that was interested with the use of incentives. She indicated that the Albertson's site is a visible site and would be a bigger driver.

Agency Member Sellers said that he hears from the community that the City lacks a higher end specialty grocery store.

Ms. Conley said that it is difficult to attract higher end grocery stores. She noted that the gasoline station located at the northwest corner of Dunne and Monterey does not look quite as bad as the gasoline station located at the corner of the shopping center. She said that the existing gasoline station blocks what is located behind it.

Agency Member Tate agreed that the problem is not necessarily today's problem but more tomorrow's problem. He said that it is a situation where you have to improve the center before it gets worse, and finding funds to fix the center.

Vice-chair Chang said that if she was a property owner who will have an anchor building sitting vacant soon, she would be knocking on the City's door for assistance. She noted that the City is not being sought for assistance. If there was a different owner for the shopping center, they might fix the problem themselves. She said that once Rite Aid and the Albertson's store are no longer paying rent, the property owner would need to do something with the property as they would not have income coming in. She felt that it would be the property owners' responsibility to take care of their shopping center so that they have income coming in.

Ms. Conley said that one of the buildings that may be vacated is the Albertson's grocery store as they are paying rent on a month to month basis. She indicated that Rite Aid has a lease that has to be honored. She said that the Rite Aid building has been a problem for the community and the center because it has been sitting vacant. She reiterated that there are separate owners for the Rite Aid store, the Albertson's grocery store, the liquor store and for most of the small shop spaces. She said that the owner of the small shop space has an incentive to try to make the shopping center work better as this company will bear the impact with the loss of anchor stores.

Agency Member Sellers noted that the property owners are receiving income without making a lot of investment to the center. Therefore, you will see a perpetual situation where the shopping center would constantly be going down to the next level because property owners can make money without making improvements.

Ms. Conley agreed that there is a low investment incentive by property owners. She indicated that it was her belief that the Rite Aid lease would end within the next year. She indicated that the incentive to improve the center would change as the income goes away.

Vice-chair Chang indicated that the situation is similar to what is being experienced at the Tennant Station Shopping center in that the Longs Drugstore is still paying rent for a vacant building. She inquired whether the City has the capability of doing something and how long does the City has to wait before it does something?

Agency Member Carr stated that he does not want to go through a situation where a building remains vacant for a period of time in a shopping center that is part of the downtown, and is kiddy corner to the Community Center. He noted that the shopping center is named after the City and that the City has an opportunity to do something with the center.

Agency Member Tate felt that Ms. Conley was trying to walk the Agency through a process where it figures out what it wants to do without paying attention to whether it can be done or not.

Chairman Kennedy felt that it may seem impossible but that the City needs to come up with a plan and then figure out how to meet this plan. He stated that the action plan may take time before it can move forward.

Ms. Conley indicated that most users are in this shopping center because of the low lease rates and not because of its location.

Chairman Kennedy inquired how the relocation of a 99 Cent Store or a 24-Hour fitness center affects the vision for the Downtown Plan.

Agency Member Sellers recommended that improvements be conducted in two or three phases. He said that the first decision would be to figure out whether there is a public facilities component that the City would be interested in at the front corner. He noted that last week, the

City had a long discussion about the library situation. Because of the library situation, it is causing rethinking of the expansion or location of city hall and other public facilities. He recommended that the facility be given full consideration and that at the same time, the City start to look at key properties located at the corner and anchor tenant(s) as the first phase. He said that in a perfect world, the shopping center could be reconfigured, making sure that existing tenants and viable businesses are located within the center and making all changes needed. However, he noted that the City does not have the financial resources to do so. He felt that long term, focus should be given to the corner spaces and establishing a development plan for key anchor tenants. The City can determine whether it wants to occupy part of the facility or whether the City wants to give incentives to the free market to take care of and develop a better center. He felt that this would be a parallel course of action to take. The center can proceed with short term improvements and that a long term approach can be developed so that everyone is aware of where the City would like to go in the future.

Chairman Kennedy said that it is extremely important that something be done with this shopping center. He noted that the City's sales tax base is very low in comparison to comparable cities of Morgan Hill's size. He stated that an important goal would be to build the City's sales tax base. If the City does not do something with this site, it would be missing a golden opportunity. He said that it was critical that the City utilize this site as it is at ground zero for commercial retail opportunities or something that would provide sales tax revenue to the City. He felt that the shopping center should provide services that the residents would like to see.

Agency Member Tate felt that the shopping center should have a catalytic affect to the downtown.

Vice-chair Chang agreed that sales tax dollars need to be generated. However, she felt that the kind of stores that would come to the City to generate sales tax dollars would want a freeway location such as the corner of Cochrane and Highway 101. She felt that the goal for the shopping center should be to create a civic center, connecting the center with the City and the community center. She said that a grocery store could support civic activities. She did not believe that this was a good site to generate sales tax, especially if it is a 99 Cent Store that wants to locate in the center.

Chairman Kennedy stated that it is not the location, but the facility that exists today that is not a "class one" area.

Ms. Conley agreed that a site along Highway 101 would provide higher visibility and traffic flow. She stated that the layout of the center is atrocious. She said that the existing parking is a standard approach for this type of shopping center layout. Businesses want to see a certain amount of parking around the radius of the front door. She did not believe that parking is a problem but under utilization of the uses is the problem.

Agency Member Carr noted that Ms. Conley mentioned mixed use as an option and that this is of interest to him as this site can accommodate some type of mixed use. However, a mixed use

project would present a problem with the City's Residential Development Control System (RDSC) ordinance. He noted that the Council is suggesting an update to the RDSC; including set asides for mixed uses that may help the process. He recommended that the City explore the feasibility of mixed uses for this site. He said that it seems that a lot of the problems being discussed stem from the fact that there are several owners who are across the board with their thoughts on the center. He noted that the City is having problems bringing property owners together to find solutions to some of the problems. He recommended that the City focus on finding ways to demonstrate that there are benefits for investing in the center by all property owners. He did not know if this would result in the creation of a benefit assessment district or other opportunities. This would allow all property owners to invest in the future of the center in a way that benefits the entire center.

Ms. Conley said that the City would need to find a way to make it economically attractive for the property owners to participate in payments for improvements as benefits and costs need to be shared. She said that one way that this could be accomplished is through a benefit assessment district. The City could put together a corporate agreement between the owners, with the Agency acting as a facilitator, for securing said agreement. Regarding the issue of mixed use, she said that if a decision has been made that the retail is not as important but that it was important to have the center look better and function better, thought can be given to proceeding with residential development. This would result in a lower amount of retail sales or lower impact type retail uses associated with residential on top of retail.

Chairman Kennedy stated that he would favor the development of a priority list for this site similar to what was done for the City's medical service strategy that had a goal of a full acute hospital. He identified his priorities for the site as follows: 1) a mixed use project consisting of retail and residential; 2) a new retail shopping center; or 3) greatly revamped/upgraded center without the gas station and the residential in front. This would result in relocating or acquiring the apartment building and gas station site; converting these sites to something that would be more compatible with the location. He noted that Agency Member Sellers and Vice-chair Chang also want to look at public uses.

Ms. Conley indicated that the City of San Fernando had a historic downtown with one function and a different population base that was being unserved in town. This population drove miles to obtain the service they wanted. However, they developed the Library Square that has a small amount of retail with it. It is a place where everyone comes after school. The Library Square is a public meeting place attributed to the library, coffee shop, and other uses around it that make it work well.

Agency Member Sellers said that there are a variety of viable businesses in the center and that the biggest concern is that they do not always have landlords who are willing to help them do things that would improve their businesses. He felt that by using incentives it would help turn the center around. He did not believe that anyone was suggesting that the shopping center develop from ground zero because it is not viable or the interest may not be there.

Chairman Kennedy felt that a library with some retail associated with it may be a viable option. He did not believe that the Council/Agency should give up on ideas because the City does not have the resources.

Agency Member Sellers said that the challenges are ones previously discussed. He felt that residential is viable; one that is becoming more uniquely attractive, but felt that the existing residential is in the wrong place. He recommended that the City figure out a way to place the existing residential in a more appropriate location. The other challenge the City will face is the liquor store as it is a viable business and is located in a key location. He did not believe that this use would fit well with the library or other uses. He recommended that the City continue to consider public facilities as a part of the center.

Vice-chair Chang did not believe that a face lift or major renovation would assist the center. She felt that this would be a good site for high density residential to the rear with some commercial in the front, similar to a transit village development. Another option is a civic use (e.g., City Hall).

Ms. Conley identified what can be accomplished with ranges of funding; depending on the degree of changes the City would like to see take place with the shopping center.

Agency Member Sellers recommended that the City look at the reconfiguration option but not eliminate the public use option. He further recommended using incentives to encourage mixed use development, identifying funds for building certain public facilities (e.g., leveraging public investment on the site).

Chairman Kennedy stated that he understood that a library is a possible option. He recommended that the library subcommittee take a look to see if this site is large enough to be feasible for a library, including costs. He inquired whether there were any other public facilities that would work.

Agency Member Sellers said that there have been long term discussions about the relocation of city hall. He felt that there are benefits to relocating city hall as the City is one of the largest employers in Morgan Hill and would provide a base and a significant incentive to the downtown. He felt that relocating city hall would be worth considering.

Agency Member Tate felt that mixed use makes sense with high density housing to the rear and commercial up front. He did not believe that it would be necessary for a mixed use development to have residential on top of commercial.

Vice-chair Chang said that Milpitas, San Mateo and San Rafael have their city halls on a corner with commercial adjacent to it and that employees have access to downtown restaurants.

Agency Member Carr was not sure that structural mixed use should be eliminated. He said that mixed use would be difficult; but that it should still be an option to consider. He envisions an option where someone would develop for sale housing that provides the revenue to improve the

rest of the center. Going through the process and attaining financing can prove to be difficult but that it was not an option that should be eliminated this evening.

Chairman Kennedy felt that the City needs to conduct a process to evaluate what public uses might or might not be appropriate. He said that there is a question of whether the City should invest some funds into conducting an evaluation of public uses on this site, noting that it would take time to conduct the evaluation.

Chairman Kennedy opened the floor to public comment.

Bill Fritz, Data Star Communication, stated that the loss of the Charter School resulted in the decline of sales. He said that he would support any use that would draw people to the downtown. He stated that a nice restaurant at the corner in conjunction with a nice grocery store, improving the appearance of the corner would help. He felt that residents would walk to the center and that a public use may be beneficial.

Dan Craig, Downtown Association, supported complementary uses to the downtown retail uses and that the City be careful not to setback the downtown. He felt that the report contained great information but felt that a lot of times the analysis is in the absence of impacts to the downtown. He did not support the relocation of the same types of uses seen in the downtown. He recommended that the shopping center be the overflow area of the downtown and that there be no vacancies. Anything that is already being targeted in the downtown through the Downtown Plan should be carefully looked at, especially if there are to be subsidies or incentives to turn the center around. He felt that the center has the potential of providing uses that are not available in the downtown. He did not believe that the shopping center was considered to be in the Downtown Plan area. He felt that the large busy intersection creates a mental separation between the core downtown to what can be considered strip development. He stated that the shopping center has the potential of doing things that cannot be done in the downtown area.

Agency Member Sellers stated that the layout of the center and the existing businesses are different from what can be seen in the downtown. He said that anchor tenants would help to bring traffic to the downtown. He felt that Mr. Craig made a good point and that the City should be cognizant of it.

No further comments were offered.

Ms. Conley inquired whether the lower cost options are ones that the Agency Board feels would be satisfactory to proceed in correcting the problem/condition of the plaza.

Chairman Kennedy said that reconfiguring the center would just delay taking a broader approach to fixing the problem and could be expensive. He stated his support of acquiring the gas station and relocating the apartment building as the first steps. He recommended looking at possible public uses, a mixed use project with retail and residential, or a new shopping center such as a

privately invested shopping center with some incentives provided by the City to help attract large anchor tenants.

Agency Member Sellers said that in the short term, the City is interested in doing something, noting that the resources are not necessarily in place. He said that reconfiguring a significant part of the shopping center would eliminate options.

Agency Member Tate stated that he did not have a comfort level that the owners want to do something. He said that he would support a public use, noting that a library is needed somewhere in the community. However, he did not know if a library would work in this center. He is also looking at a mixed use with a large portion being residential as the City has funds for housing projects. He did not know where the funding would come from to pursue other alternatives. He felt that there has to be a way to incent property owners.

Chairman Kennedy inquired whether RDA housing funds could be used for market rate housing.

Executive Director Tewes stated that 20% set asides must be used to improve or expand the supply of housing to moderate income individuals.

Vice-chair Chang felt that 2-3 bedroom condominium/townhomes could fit nicely in this area.

Chairman Kennedy said that one of the criticisms he has heard about some of the housing projects in the downtown is that the City is building all affordable housing but no market rate housing near the downtown. He felt that the City needs to cover all ranges of the household income spectrum. He is hearing that the 20% RDA funds can be used for up to 120% medium income homes.

Executive Director Tewes said that when the City developed a housing strategy, there were a number of competing policy objectives. The City needs to meet housing production goals for the various categories of income, noting that these have been identified in the housing strategy document. He agreed that moderate and market rate housing are needed in the community but that the City needs to achieve its objectives in the other housing income categories as well.

Agency Member Carr stated that it is difficult for the Agency Board to make a policy decision on how much money it wants to invest, spend, and/or allocate. The City needs to find ways to incent the current property owners to perform some improvements to the center. The City needs to investigate how it can bring in other private partners to proceed with some of the grand alternatives being talked about. He was not comfortable in limiting the scope in anyway except of the “do nothing” alternative. He felt that the City could at least facilitate conversations with the current owners to improve some things such as signage and landscaping. The City needs to make sure that its investment will pay off. There is a question as to whether face lift dollars will bring in revenue. He did not believe that the City would have to invest as much if it can partner with others and develop a public use; improving an important key area. He felt that the definition

of “we” needs to be broadened to how much should be spent on the center in different ways with dollars coming from different sources.

Chairman Kennedy inquired whether this type of project fits the criteria that the Economic Development Committee is looking at for use of economic development funds.

Agency Member Tate inquired whether the downtown is a higher priority or whether this site is a higher priority. He felt that it was a priority question but that the shopping center fits within the economic development strategy adopted by the Council/Agency.

Agency Member Carr indicated that the Economic Development Committee is not working on this shopping center at this time.

Chairman Kennedy recommended that some economic development funds be earmarked for this shopping center.

Agency Member Tate said that he would support earmarking economic development funds as long as it does not impact the library funding.

Agency Member Sellers indicated that there appears to be a general consensus that the Agency Board is interested in reconfiguring the shopping center to some degree. He agreed with Agency Member Carr in terms of figuring out options and partnership opportunities, property ownership or a combination thereof. He recommended that an initial focus be conducted on the corner properties (e.g., gas station and apartment complex). He recommended consideration be given to public uses and to earmark initial funds.

Ms. Conley inquired if an extension to the Redevelopment Agency’s life was a discussion that the Agency Board would like to consider for this project.

Chairman Kennedy felt that the City should keep the extension of the Redevelopment Agency option open. He likes the idea of having a “wish list” of what the City’s priorities are. It may turn out that the City would like to extend the RDA to do something that is more grandiose. He would like the Redevelopment Agency to play the role of facilitator and lender.

Agency Member Sellers felt that there is an interest in keeping the Agency’s options open, depending on what the market dictates. He said that there is a potential for the Agency to play all three roles: facilitator, lender and assembler of the parcels; conveying them to a master developer.

Agency Member Tate stated that he did not want to be a middle man just for the sake of being the middle man. He said that the third option is beyond where he would like to participate. He indicated that he has trouble discussing this issue in such a vacuum. He noted that the City has talked about loans to the downtown, including re-circulating loans. He did not know where the money for this site would come from.

Agency Member Sellers noted that the Agency Board has not decided what it wants to do; therefore, it cannot identify funding sources.

Vice-chair Chang felt that the first process is to decide what the Agency Board wants to do. This process does not identify the funding to be earmarked for this center. The Agency Board needs to decide how the site is to be improved and/or developed and then figure out whether it has the money to proceed. It may necessitate proceeding with a Redevelopment Agency extension.

Chairman Kennedy noted that there appears to be a general consensus of the Agency Board to support a mixed use project and to evaluate a public use. There is also thought of reconfiguring/upgrading the center as a priority up to the City's ability to assist.

Agency Member Sellers stated that it was his hope that the Agency Board has given staff enough direction such that it explores specific directions. Staff to talk to the property owners and that the City is facilitating discussions about downtown in parallel. He said that the City can continue the broader discussions as the project evolves.

Agency Member Tate did not believe that the Agency Board has given staff adequate direction.

Ms. Conley said that she heard that a facelift is off the table.

Chairman Kennedy stated that on the table is the concept of a private investment of a new shopping center with some sort of lending facilitation by the RDA with a cost to be determined.

Mr. Toy said that it would be helpful to know if the direction of the shopping center is one that the entire Agency Board wants to discuss or whether it wants the Economic Development Committee to work with staff to come up with options for Agency Board consideration.

Executive Director Tewes said that Library Subcommittee and Economic Development Committee should consider funding options for Agency Board consideration.

Chairman Kennedy requested that staff investigate how much it would cost to assist/incent a private developer to come in and redevelop the entire center.

Agency Member Tate said that there may be a possibility of finding a solution to address the corner of the property, resulting in a domino affect beyond that.

Executive Director Tewes indicated that it would cost \$8-11 million to purchase the entire center plus relocation costs.

Chairman Kennedy felt that a plan needs to be developed within six months. He felt that the Economic Development and Library Committees and staff can take a look at this site. In six months, the City can take this to the next step, developing towards a plan.

Agency Member Carr said that one key factor to know is what would be the future of the site after Albertson's moves out. If it looks like that the property owner is ready to sign a deal with someone else, the City would lose out and lack the ability to do anything with the center. He felt that the City needs to be ready to step in and not let opportunities pass by.

Agency Member Chang said that a 99 Cent Store may not be an ideal use, but if the property owner can bring in a Traders Joes or Millers Outpost, it would be an improvement to the center and the face lift alternative may work.

Chairman Kennedy requested that staff find out the value of the Albertson's building so that the Council/Agency can determine if it is an option it would like to proceed.

Agency Member Sellers said that it is eminent that the Albertson's store would be leaving the shopping center within the next 36-months. He recommended that the City enter into discussions with the property owners and that the City conduct an appraisal of the property.

Vice-chair Chang inquired what could be done with the Albertson's property should the City decide to purchase it.

Ms. Conley responded that the City would be acquiring a vacant building. The building can be leased to other tenants or the site can be redeveloped for public use. As the building would be vacant, there would be several options.

Chairman Kennedy noted that the City is not starting the process of acquiring the Albertson's store or the shopping center. He felt that the City should look at the possibility of purchasing and protecting this option. He offered the idea of having a roller rink or a similar recreational use in the large vacant spaces.

Vice-chair Chang felt that a recreational use would be a good use. However, the City needs to find out why the Gilroy roller rink did not work.

Executive Director Tewes noted that there are public recreational uses such as those proposed for the indoor recreation center and that there are commercial recreational uses such as a commercial roller rink. He said that there are new concepts being developed such as an indoor roller hockey or indoor soccer use. He stated that indoor recreational uses can be investigated.

Chairman Kennedy requested that staff return with a plan in six months. Further, the Library and the Economic Development subcommittees look into the economic development aspects with consideration being given to other public uses.

ADJOURNMENT

There being no further business, Mayor/Chairman Kennedy adjourned the meeting at 8:00 p.m.

MINUTES RECORDED AND PREPARED BY:

IRMA TORREZ, CITY CLERK/AGENCY SECRETARY